

**USAID/Djibouti**

**Annual Report**

**FY 2004**

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## **Djibouti**

### **Performance:**

Background: Djibouti is a key Front Line state in the war against terrorism. It hosts the only U.S. military base in Africa, and has demonstrated unconditional support to the War on Terrorism by allowing access to direct U.S. military operations in the region. Djibouti also plays a crucial role in promoting regional stability. It serves as Ethiopia's main seaport for commercial trade and humanitarian aid. Djibouti has acted as a peace broker between neighboring Eritrea and Ethiopia, supports Yemen's security needs, and is the location of the Intergovernmental Agency for Development (IGAD) which is a key USAID regional partner. However, Djibouti is a potential terrorist target because of its porous borders with Somalia and Ethiopia and the Middle East, as well as its assistance to the U.S. forces. Djibouti's chronic humanitarian and social needs make it susceptible to instability and social and economic breakdown.

Djibouti's population is estimated at 700,000, with 65% living in the capital city, 83% living in urban areas, and 28% of the total population composed of refugees from Somalia and Ethiopia. (This number has diminished with the expulsion of 40-50,000 undocumented aliens in September/October 2000.) Djibouti's economy has been deteriorating since the civil war of 1990-94 as a result of the inflow of refugees and internally displaced populations, the armed conflict, and a 58% drop in external assistance. The unemployment rate is over 60%. Djibouti lacks a production sector, and most of its GDP is provided by the service sector through port, transport and banking services for Ethiopia and northern Somalia. In addition, Djibouti historically has a substantial portion of the country's GDP provided by the long-term presence of French troops. Based on Djibouti's social indicators it is ranked 157th among 174 countries in UNDP's Human Development Index. Social indicators, particularly in education and health, point to a marked deterioration in these sectors in recent years. Over 60% of the primary school age population does not attend school. Djibouti exhibits high rates of infant and under-five child mortality, estimated at 114 and 165 live births respectively. Maternal mortality is estimated at 740 per 100,000 live births, one of the highest rates in the world. Approximately 31% of the under five population suffer from malnutrition. About 70% of first-graders are malnourished and there is widespread tuberculosis and malaria.

The macroeconomic environment: Djibouti's civil war, economic shocks (notably the regional drought), and previous misguided policies have led to a steady deterioration of the country's financial and social infrastructure as well as its competitiveness. Average income declined 25% in the past 20 years and by 1995 the Government's deficit was 10% of GNP.

However, in 1996 the GORD embarked on a structural adjustment program which it has since adhered to, albeit unevenly; and in 2000, under the leadership of its new President, Djibouti elaborated new strategies for economic and communication sector liberalization as well as education and health reform in conformity with established poverty reduction strategy guidelines. These sector reforms are components of a grand strategy to make Djibouti a modern commercial center for the Horn of Africa and the Middle East - often Dubai or Shanghai are cited as the model. The GORD has taken important first steps to implement this strategy, including making investments easier, lowering the costs of communications (information technology and telephone), and taking steps to upgrade its work force.

U.S. Interests and Goals: While the U.S. government's economic assistance program to Djibouti is linked to the GORD's key role in the Global War Against Terrorism, it is also targeted to assist in the economic and social reforms. The GORD is in the midst of a government-wide and societal reform effort with the goal of developing a modern commercial state. The creation of a healthy, literate and skilled work force is essential to this reform. Thus, the GORD has developed a health strategy which focuses on improving primary health care, particularly for women and children, and creating a sustainable health care system.

In education, the GORD's strategy seeks to increase access and improve the quality of basic education for all school age children, with special emphasis on girls.

**Other Donors:** With USAID leadership, the Ministry of Education has established the practice of scheduling regular working meetings with all relevant donors to coordinate their activities. A similar system will be established for the health program. Informal meetings with heads of donor agencies have also begun. Until recently, donor assistance has steadily declined (from \$88 million in 1993 to \$ 37 million in 1999). Currently the largest donors are USAID, French Cooperation and the World Bank, all of which have committed approximately \$50 million for multi-year health programs and \$35 million in education. The Japanese have been active in road construction and medical relief. The Islamic fund and the ADB have provided some support in secondary school and hospital construction. There has been little donor assistance in other sectors.

**Gender implications:** While Djibouti is less conservative than many Moslem states regarding the role of women, women nevertheless are severely disadvantaged in terms of health, education and role in the formal economy. The USAID program addresses these problems through its emphasis on girls' education and women's literacy programs as well as its focus on maternal and child health.

**Challenges:** In the past several years Djibouti has made great strides in developing and implementing a vision to create a modern and stable commercial state. It has liberalized its economy, attracted foreign investment, begun health and education reforms, and firmly established a reputation for stability and good sense in a volatile region. However, because of its poor human resource base, i.e. low health and education levels, and the lack of commercial infrastructure. Most Djiboutians have not yet benefited from these changes. The challenge for the GORD, and a prerequisite to maintaining internal stability, is to show real progress in bringing the benefits of these reforms to its people -- to increase schooling and literacy, improve the health of women and children, and in the longer term, to create jobs. The GORD appears committed, and the USAID program supports these objectives.

**Other USAID Programs:** P.L. 480. Djibouti is a chronic food deficit country requiring around 13,000 metric tons (MT) of food annually from the international community to meet shortfalls. USAID has worked closely with the World Food Program (WFP) to develop an operation encompassing a variety of activities that target different groups through rural Food for Work activities and urban institutional feeding, plus providing relief to Somali refugees in Djibouti. In FY 2003, USAID provided an initial 4,000 metric tons of commodities valued at \$2.2 million to this program (with two-thirds going to Djiboutians, and one third to refugees). A similar commitment is anticipated in FY 2004. The target group is an estimated 43,000 Djiboutians and refugees.

In addition, USAID/ESA's regional program working through regional African organizations such as the Common Market for Africa (COMESA) and the African Union Intergovernmental Bureau for Animal Resources (AU/IBAR) -- \$ 5.0 million (ESF) in FY 2003 ESF carryover is targeted for two programs in Djibouti: the development of a privately run livestock export facility in Djibouti to increase Somali, Ethiopian and Djiboutian livestock exports to the Middle East and Arab Emirates (\$4.0 million); and the establishment of a FEWSNET office in Djibouti to monitor food security (\$1.0 million).

**Key Achievements:** The new Djibouti program was designed and implementation began in late FY 2003. Start-up activities included detailed work plans developed in partnership with the Ministry of Education for the program and the increased coordination between donors and the Ministry of Education in the area of school construction/renovation, curriculum development and teacher training. Achievements include: 1) the initiation of a basic education program with the establishment of a technical assistance team, the hiring of local staff and the development of a detailed work plan, and the renovation of two schools with enrollments enrolling over 3,000 students (in one of the renovated schools enrollment increase of 40% has been attributed to the availability of refurbished classrooms); 2) the completion of a FEWSNET food security baseline study for Djibouti city; 3) the identification of the site and development of the private sector mechanisms to launch the livestock export facility program; and 4) the identification (and concurrence of relevant Djibouti institutions) for the placement of seven IFESH volunteer English language trainers during 2004.

Through its support to AU/IBAR, USAID has contributed to the establishment of a Livestock Trader Association and aims to build the associations capacity in FY 2004.

**Country Close and Graduation:**

## **Results Framework**

### **603-001 Basic Education Improved**

**IR 1** Increased Equitable Access to Basic Education

**IR 2** Improved Quality of Teaching and Learning

**IR 3** Improved Opportunities for Girls' Education

### **603-002 Expanded Coverage of Essential Health Services**

**IR 1** Increased Supply of Essential Health Services

**IR 2** Improved Quality of Services

**IR 3** Enhanced Local Capacity to Sustain Health Services